

Fairfax County Economic Index

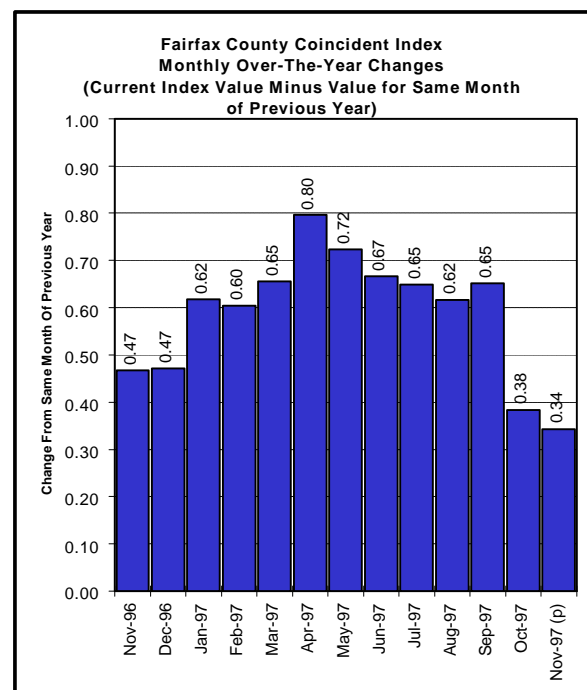
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Economy Steady in November Some Moderation in 1998 Expected

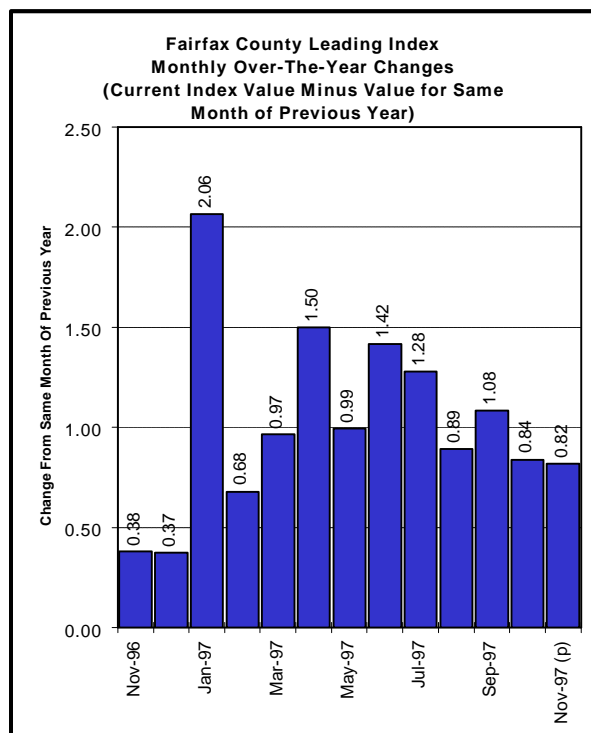
The **Fairfax County Coincident Index**, which represents the current state of the County's economy, increased marginally in November gaining just 0.01 percent after having declined 0.11 percent in October. This performance reflects a trend towards the long-term moving average and may be indicating that the County's economic growth rate will track this long-term trend over the near-term. For the first 11 months of 1997, the Index gained 0.5 percent compared to a 0.3 percent increase for the same period in 1996. In November three of the Index's four component were positive.

- Total employment increased for the fifth consecutive month and for the 11th month in the past 12;
- Transient Occupancy Tax collections increased for the first time in four months; and
- Consumer Confidence increased slightly after having declined in three of the previous four months; while
- Sales Tax Receipts, adjusted for inflation and seasonal variation, dropped sharply after having increased for four consecutive months.



Source: GMU Center for Regional Analysis.

The **Fairfax County Leading Index**, which is designed to forecast the performance of the County's economy 9 to 12 months in advance, decreased 0.38 percent in November after having gained in both September and October. This decline dropped the Index back to its 12-month moving average value for the second time in 4 months.



Source: GMU Center for Regional Analysis.

Through 11 months in 1997, the Index gained a healthy 0.8 percent reflecting its strong first-half year performance. This gain for 1997 substantially exceeded its 0.3 percent increase for the same period in 1996. In November, three of the five Leading Index's components were negative.

- New Automobile registrations declined sharply and have now been down in three of the past four months;
- Consumer expectations (consumer confidence six months hence) decreased for a second month in a row; and
- The mean value of residential building permits declined sharply and has now decreased in four of the last five months; while
- Initial claims for unemployment insurance decreased (improved) erasing almost all of October's increase; and

- The number of residential building permits issued by the County registered a strong increase for the second consecutive month.

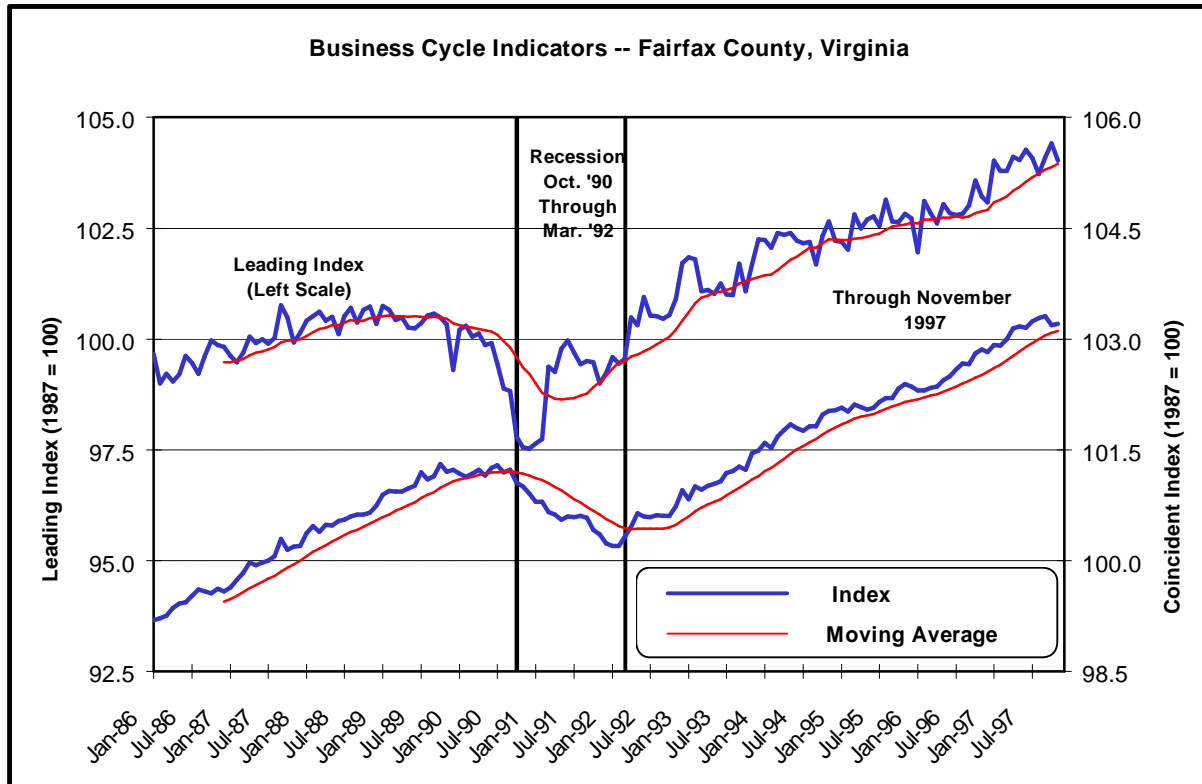
CURRENT CONDITIONS

The Fairfax County economy increased an estimated 4.1 percent in 1997, a rate that is probably unsustainable over the long run without creating conditions that will ultimately undercut the economy's vitality. Some of these conditions are already evident. In November, the County's unemployment rate was 1.9 percent, down from 2.5 percent a year earlier and well below the metropolitan rate of 3.3 percent and the national rate of 4.6 percent. This low level of unemployment reflects the tight labor market conditions that have begun to constrain the economy's growth rate.

The economy's strong performance over this period was fueled in the first half of 1996 and continued until September when the monthly over-the-year gains in the Coincident Index slipped to their lowest levels since April 1996. This moderation in the economy's performance is not a sign of weakness but rather suggests that the economy is settling into a more sustainable and balanced growth pattern, one that reflects the availability of labor and other essential resources. While it is too early to label this trend as a new stage in the six-year expansion, this is the first period within the expansion where moderation has occurred without a major event undercutting the economy. The most recent previous slowdown in late 1995 and early 1996 reflected the federal budget impasse, deferred federal procurement spending, and the effects of the unusually harsh winter weather.

Looking backward at the performance of the economy's key indicators confirms its strength and vitality. Even when the economy appears to be moderating, monthly over-the-year job growth has continued to exceed 4 percent. In November, annual job gains were estimated at 4.4 percent, more than two times the national job growth rate. This strong job growth has generated income benefits for the County's residents and helped to increase the confidence of the region's consumers. Even though consumer confidence has slipped since

We are on the web at:
www.co.fairfax.va.us/comm/economic/economic.htm



Source: GMU Center for Regional Analysis.

August it remains near its post-recession high. This strong consumer confidence has supported healthy gains in consumer spending in the County with monthly seasonally adjusted over-the-year retail sales increasing 9.1 percent, well ahead of the 4 percent gain for the nation.

NEAR-TERM OUTLOOK

The Fairfax County Leading Index began to seesaw in July with losses in one month being offset by gains in the next. With the 0.4 percent decline in November's Index, the leading indicators appear to be pointing to a more moderate and sustainable growth path in the future. This gradual moderation is seen in the monthly over-the-year changes in the Index's values dating from April through the current month.

The key leading indicators in November reflected a mixed performance pattern. New automobile sales have fluctuated greatly monthly over 1997 with November sales falling 0.9 percent below sales in November 1996. However, even

though consumer expectations have slipped during the fall, they are still up 10.6 percent from last year's level. Also, residential building permits are up although their mean value has slipped slightly.

The continuing health of the economy depends on its ability to generate new jobs and income that can support retail and other consumer spending in the County. Fairfax County generated almost 20,000 net new jobs in 1997, approximately half of all new jobs created in Northern Virginia. Presently, the only immediate threat to repeating this level of job creation in 1998 is the future availability of workers to fill new jobs. Fairfax County's ability to attract qualified workers to fill the jobs the economy will generate will determine the extent to which the County's economic potential is realized in the coming months. Other downside risks for the County's economy include the effects of the continuing turmoil in Asia's financial markets and a major correction in the U. S. securities markets and the resultant weakening of consumer confidence and spending. At this time, it does not appear that inflation and interest rates will be factors affecting the County's economy in 1998.

Fairfax County, Virginia Economic Indicators Current and Previous Months

Economic Indicator	Estimates			Percent Change	
	Nov-97 Prelim.	Oct-97 Final	Nov-96 Final	Oct-97 to Nov-97	Nov-96 to Nov-97
Fairfax County Business Cycle Indicators					
Coincident Index (1987 = 100)	103.20	103.19	102.86	0.01	0.33
Leading Index (1987 = 100)	104.02	104.42	103.21	-0.38	0.79
Fairfax County Coincident Index Components					
Total Covered Employment (Seasonally Adjusted)	458,841	457,380	439,532	0.32	4.39
<i>Total Covered Employment (Unadjusted)</i>	<i>460,507</i>	<i>455,967</i>	<i>441,127</i>	<i>1.00</i>	<i>4.39</i>
Transient Occupancy Tax (\$'000='87, Smoothed, Seasonally Adjusted)	236.0	228.6	253.6	3.22	-6.96
<i>Transient Occupancy Tax (\$'000=Current, Smoothed Only)</i>	<i>386.5</i>	<i>359.0</i>	<i>407.6</i>	<i>7.66</i>	<i>-5.20</i>
Sales Tax Receipts (\$'000='87, Seasonally Adjusted)	7,047.1	8,023.8	6,459.4	-12.17	9.10
<i>Sales Tax Receipts (\$'000=Current, Unadjusted)</i>	<i>8,650.6</i>	<i>9,041.0</i>	<i>8,284.9</i>	<i>-4.32</i>	<i>4.41</i>
South Atlantic Consumer Confidence	162.5	162.4	158.2	0.06	2.72
Fairfax County Leading Index Components					
New Automobile Registrations (Seasonally Adjusted)	4,790	6,158	4,835	-22.21	-0.93
<i>Automobile Registrations (Unadjusted)</i>	<i>4,260</i>	<i>5,926</i>	<i>4,300</i>	<i>-28.11</i>	<i>-0.93</i>
Initial Unemployment Claims (Seasonally Adjusted)	770	943	908	-18.34	-15.18
<i>Initial Unemployment Claims (Unadjusted)</i>	<i>693</i>	<i>867</i>	<i>817</i>	<i>-20.07</i>	<i>-15.18</i>
South Atlantic Consumer Expectations	113.2	115.5	102.3	-1.99	10.65
Residential Building Permits (Number of Units, Seasonally Adjusted)	1,128	465	419	142.67	169.19
<i>Residential Building Permits (Number of Units, Unadjusted)</i>	<i>996</i>	<i>505</i>	<i>370</i>	<i>97.23</i>	<i>169.19</i>
Average Residential Building Permit Value (\$='87 Per Unit, Seasonally Adjus	34,366	78,026	70,636	-55.96	-51.35
<i>Average Residential Building Permit Value (\$=Current Per Unit, Unadjusted)</i>	<i>45,174</i>	<i>101,563</i>	<i>93,418</i>	<i>-55.52</i>	<i>-51.64</i>
Fairfax County Labor Force					
Total Labor Force (Seasonally Adjusted)	534,977	534,457	504,981	0.10	5.94
<i>Total Labor Force (Unadjusted)</i>	<i>531,371</i>	<i>529,786</i>	<i>501,577</i>	<i>0.30</i>	<i>5.94</i>
Unemployment Rate (Percent, Seasonally Adjusted)	2.02	2.06	2.63	--	--
<i>Unemployment Rate (Percent, Unadjusted)</i>	<i>1.95</i>	<i>2.07</i>	<i>2.53</i>	<i>--</i>	<i>--</i>

Notes: All components included in the indices are seasonally adjusted. In addition, those expressed in dollar value (Average Building Permit Value, Transient Occupancy Tax, and Sales Tax) are expressed in constant 1987 dollars. Initial Claims are inverted prior to inclusion in the Leading Index; that is, an increase in claims results in a decrease in the index and visa versa. Because of its quarterly collection schedule, the Transient Occupancy Tax is smoothed. Unadjusted data (*italics*) and Fairfax County Labor Force data are not included in either index, but are shown for informational purposes. All percent changes are calculated from unrounded data.

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